PURPOSE

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize MECA's claim and the dispute between MECA and Ameritech regarding Feature Group C terminating switched access service; to summarize MECA's access tariff, MPSC Tariff No. 25, as it relates to switched access service and terminating usage; to summarize the negotiated terminating/originating usage ratios ("T/O ratios") that resulted from the Settlement Agreement approved by the Commission in Case No. U-9590; to summarize the events that have transpired concerning MECA's access rates, specifically the actions taken by Ameritech Corporation and/or Ameritech Michigan; and to present alternatives that I believe can resolve the ongoing dispute between the parties.

MECA'S CLAIM

Q. Please briefly summarize MECA's claim in this Complaint proceeding against Ameritech.

A. Ameritech has refused to pay MECA member companies access revenues due them under the MECA tariff. Ameritech has attempted to artificially reduce its usage by unilaterally implementing its own new T/O ratios that have not been negotiated. MECA seeks a declaration that it is entitled to full compensation based on the previously agreed-upon T/O ratios until a Commission order is issued requiring actual measurement in accordance with one of the methods proposed by MECA.

BILLING

Q. Mr. McCartney, could you describe the preparation of a switched access bill for a typical end office?

A. Yes, but in order to do so, I need to clarify what I believe is a typical end office.

Q. What is a typical end office?

A. A typical end office has the following characteristics:

1) The end office's common trunks are routed to either an Ameritech or GTE tandem switch.

2) The end office is equipped to provide interLATA equal access.

3) The end office records all originating direct digit dialed (DDD) traffic and Ameritech records all terminating traffic, except its own, and all operator assisted traffic.

4) There are no dedicated trunks.

5) The call record data is processed by either an outside billing vendor who then prepares the access bill or it is processed internally by the company.

Q. What is the process for preparing a switched access bill for a typical end office?

A. The typical end office has three basic sources of records for determining access usage: Originating DDD; Originating operator assisted calls; and terminating calls.

Originating DDD calls are recorded by the end office. For FGC calls, conversation minutes of use are recorded. The access customer's (toll carrier's) identity is not included as part of the call record for FGC records. However, since there is at most only one FGC access customer per jurisdiction (either Ameritech or GTE for intraLATA), the access customer can be identified by called number. For FGD, access minutes of use are recorded. The access customer's identity is included in the call information recorded for FGD records. This information is periodically transmitted to the billing vendor or department by electronic mail or the shipping of a magnetic tape.

Originating Operator assisted traffic is recorded at the tandem. For FGC calls, conversation minutes of use are recorded. Like DDD calls, the access customer can be identified by the called number. For FGD, the end office sends the identity of the access customer (toll carrier) as part of the call information. Ameritech includes this information as part of the call record.

Terminating traffic is recorded at the tandem. Ameritech can identify the toll carrier because traffic enters the tandem switch on dedicated trunks from the access customer's

(toll carrier's) designated toll switch. Ameritech periodically sends a tape to the end office with both the operator assisted and DDD terminating traffic.

Since FGC terminating usage is not directly measured, this usage has to be estimated. Current T/O ratios are based on originating DDD calls' and operator assisted calls' minutes of use. The originating DDD and operator assisted conversation minutes of use are multiplied by the agreed upon T/O ratio to derive the chargeable terminating access minutes. The chargeable usage is then multiplied by the applicable tariff rate(s). An access bill is then produced which includes actual originating and derived terminating access usage.

ACCESS CHARGES FOR SWITCHED ACCESS SERVICE

Q. How are toll access bills to toll carriers determined?

A. Intrastate switched access charges are determined by multiplying the rates in MECA's access tariff by the relevant access minutes of use.

Q. Do all MECA member companies use MECA's M.P.S.C. Tariff No. 25 for charging intrastate switched access charges?

A. Yes.

Q. For intrastate switched access charges, what is the unit of measurement for the relevant usage?

A. For intrastate switched access charges, the related usage is measured in terms of "access minutes."

For the purpose of calculating chargeable usage, the term "access minutes" denotes toll carrier usage of local exchange facilities in the provision of interexchange, intrastate, interstate or international service. On the originating end of an interexchange call, usage is measured from the time the originating end user's call is delivered by the LEC to and acknowledged as received by the toll carrier. On the terminating end of an interexchange call, usage is measured from the time the call is received by the called party. Usage at both originating and terminating ends of an interexchange call stops when the calling or called party disconnects.

Q. What is Feature Group C (FGC) switched access?

A. FGC access provides trunk side access to the LEC's end office switch for the toll carrier's use in originating and terminating communications. Originating and terminating FGC access is available only to Ameritech, GTE North, and to AT&T in non-equal access end offices.

HOW ACCESS MINUTES ARE DETERMINED

Q. How are intrastate FGC switched terminating access minutes determined?

A. For terminating calls over FGC, the chargeable access minutes are either measured or derived. For terminating calls over FGC where measurement capability does not exist, terminating FGC usage is derived based on originating usage, excluding usage from calls to closed end services such as Directory Assistance Services. A ratio of usage is applied against the total of originating access minutes of use to derive the total of terminating access minutes of use.

Q. Historically, have Ameritech's intrastate FGC switched access terminating minutes been measured or derived?

A. They have been derived.

Q. Why have Ameritech's intrastate FGC switched access terminating minutes been derived and not measured?

A. Though MECA would prefer to use measured access usage in all cases, in the case of Ameritech's intrastate FGC switched access terminating minutes, the information necessary to perform actual measurement is not directly available to most MECA member companies.

Q. Why has this information not been directly available to most MECA member companies?

A. The information has not been available to most MECA members because of the manner in which the MECA member companies connect with Ameritech for the termination of calls.

Q. What is the manner of toll interconnection with Ameritech?

A. The path over which Ameritech has chosen to route its terminating usage is referred to as a "common trunk group." A common trunk group is a shared path over which several access customers (toll carriers) route their calls. On a common trunk group, the identification of the particular access customer (toll carrier) is not included with the terminating call information that is forwarded by the tandem switch to the end office switch. Since the identity of the access customer (toll carrier) is not available to the end office switch at the end of the common trunk group, the end office cannot measure actual terminating usage attributable to a particular access customer (toll carrier). Therefore, another means has been devised to bill toll carriers for their terminating toll traffic which I will explain later.

T/O RATIOS

Q. What are T/O ratios and how are they developed?

A. T/O ratios were developed when access was introduced. A system was set up to collect a sample from all exchanges. This sample was used to determine a ratio of the number of terminating conversation minutes of use to the number of originating conversation

minutes of use for each exchange. This ratio is referred to as a "T/O ratio." The applicable T/O ratios were subsequently agreed upon by the LEC and the toll carrier.

The agreed-upon ratio is applied to the originating minutes of use, which are actually recorded and measured, in order to develop an estimate of the terminating minutes for that toll carrier. MECA has used the T/O ratios agreed upon by the parties in Case No. U-9590 to determine billable terminating minutes of use. The access rates contained in MECA's MPSC Tariff No. 25, are applied against these terminating minutes of use.

Q. Is Ameritech billed for terminating usage based on T/O ratios?

A. Yes.

Q. How is terminating usage determined for access customers (toll carriers) other than Ameritech?

A. For calls routed over a common trunk group, Ameritech at its tandem records the usage for all access customers (toll carriers), except for itself and GTE. Ameritech then forwards this call information via magnetic medium to the end office that terminated those calls. This information is the basis for billing terminating switched access charges to access customers (toll carriers) other than Ameritech for the use of the common trunk group. Ameritech is billed for terminating usage based on agreed upon T/O ratios.

Q. Is there a type of toll access interconnection arrangement that allows the LEC to identify the toll carrier responsible for terminating toll calls?

A. Yes. Calls can also be routed over a "dedicated trunk group." This is a path ordered by a specific toll carrier for its exclusive use. As with the common trunk group, the toll carrier is not identified in the call information routed over the dedicated trunk group. However, this is not necessary since all the traffic on the dedicated trunk group belongs to a single toll carrier. Therefore, the end office can bill the toll carrier for all traffic measured on that dedicated trunk group.

Q. Why have MECA member companies not moved to direct measurement of actual usage for Ameritech?

A. There are several reasons:

1) In MECA's last access case, Case No. U-9590, the parties, including Ameritech, stipulated that the T/O ratios used for billing of switched access charges were reasonable.

2) Since the identity of the toll carrier responsible for terminating usage routed over common trunk groups is unknown, Ameritech would have to change the information it provides on the call record sent to the LEC. This would require Ameritech to make changes to its recording procedures. Ameritech has been unwilling to incur the necessary costs to make these changes.

3) The LEC cannot force a toll carrier to order dedicated trunk groups.

Q. Absent the use of direct trunk groups or changes in Ameritech's recording procedures, is there any other method by which MECA member companies could bill Ameritech for actual terminating usage?

A. Yes. MECA has developed a methodology that allows it to measure terminating usage. However, it is a costly procedure to implement for most of its member companies.

Q. What is this methodology called?

A. It is called the "Residual Usage" measurement methodology which I will describe later.

Q. Is the Residual Methodology being used today?

A. Yes. It is being used at least in Minnesota and by some companies in Michigan.

THE DISPUTE BETWEEN MECA AND AMERITECH

Q. Please explain the dispute between MECA and Ameritech.

A. In MPSC Case No. U-9590, all parties, including Ameritech (then known as Michigan Bell Telephone Company), entered into a settlement agreement that the Michigan Public Service Commission (the "Commission") approved. As part of Case No. U-9590, the Commission approved the use of the present T/O ratios, to derive or estimate the switched access minutes of use for those telecommunications carriers who terminate calls on the MECA member companies' facilities when measurement is not possible.

Ameritech has recently questioned the T/O ratios used to calculate Ameritech's terminating minutes of use. Ameritech is also demanding that MECA use a methodology that Ameritech alone has developed, the "ITAC" methodology. Now Ameritech refuses to pay access charges determined by applying the T/O ratios agreed to by the parties in Case No. U-9590. Rather, Ameritech is paying MECA based on T/O ratios derived from its flawed ITAC methodology.

On September 23, 1996, Ameritech informed MECA that it would be escrowing the difference between the access charges calculated using the T/O ratios agreed upon in Case No. U-9590 and its own calculated access charges using its unsubstantiated ITAC methodology effective as of October 1, 1996. MECA requests that Ameritech pay tariffed rates using the previously agreed upon T/O ratio methodology, until such time as terminating calls can be measured.

Q. Why should the current T/O ratios apply to Ameritech?

A. Part VI, Section 6.4 of MECA's MPSC Tariff No. 25 contains the specific regulations governing the rates and charges that apply for switched access service. In accordance with Section 6.4.1(A)(1), usage rates for switched access service are rates that apply on a per access minute or a per call basis. Section 6.7 contains terms and conditions describing FGC access and the provision of FGC access. Section 6.7.4 addresses the measuring of access minutes. The specific provision relating to terminating usage provides:

> "For terminating calls over FGC the chargeable access minutes are either measured or derived. For terminating calls over FGC where measurement capability does not exist, terminating FGC usage is derived from originating usage, excluding usage from calls to closed end services or directory assistance services." (Emphasis added.)

MECA and its member companies have continued to use T/O ratios to derive terminating usage for Ameritech because they were freely negotiated and ordered for use in Case No. U-9590. The current T/O ratio methodology conforms with the methodology described in National Exchange Carriers Association's (NECA) Exchanges, No. 11, page 24. While not a part of NECA's FCC Tariff No. 5, a manual called Exchanges is issued to assist in answering questions regarding the application of that tariff. Since MECA mirrors the rates, terms and conditions set forth in NECA's interstate FCC Tariff No. 5, Exchanges is equally applicable to MECA's MPSC Tariff No. 25.

Q. Under the current tariff, how are terminating calls and associated minutes of use from Ameritech terminating on the MECA member companies' networks determined?

A. In MPSC Case No. U-9590, Ameritech (through the Michigan Bell Telephone Company), agreed to continue to use the T/O ratios in effect to derive or estimate terminating minutes of use for Ameritech. Thus, when actual measurement of terminating minutes of use cannot be performed, MECA member companies multiply the conversation minutes of use for each toll carrier that originates calls from that MECA member exchange by the T/O ratios previously agreed to in Case No. U-9590 to derive or estimate the terminating minutes of use for that toll carrier. The estimated minutes of use are then multiplied by the per minute access rate to bill that toll carrier for

terminating calls on the MECA member exchanges. Since Ameritech stipulated and agreed to this historical calculation of terminating minutes of use, this is how terminating calls and associated minutes of use are currently determined for Ameritech.

Q. Do other toll carriers use this methodology?

A. Yes, T/O ratios are used to estimate all of GTE North's terminating traffic and AT&T's terminating traffic to MECA non-equal access offices.

Q. How is terminating usage for other toll carriers determined?

A. Most terminating usage is actually measured for other toll carriers. Some toll carriers have dedicated trunks over which only that toll carrier's traffic travels and terminates in a MECA member company's service area. With respect to other toll carriers that have their traffic carried over a common trunk (i.e., a trunk group that carries more than one toll carrier's traffic), most calls pass through an Ameritech tandem on its way to terminate in a MECA member company service territory. At its tandem switch, Ameritech records all information about each call, including the terminating toll carrier's carrier identification code ("CIC"), except for those calls for which Ameritech is the toll carrier. Ameritech then passes on a record of the measured terminating minutes of use for each toll carrier to the MECA member companies so that terminating access charges

can be billed to these toll carriers. However, Ameritech does not forward any information for its own calls, thus requiring the MECA member companies to estimate Ameritech's terminating minutes of use by use of T/O ratios.

Q. What has MECA done in response to Ameritech's dissatisfaction with current T/O ratios and its imposition of its unique T/O ITAC methodology for determining T/O ratios?

A. MECA has attempted to negotiate with Ameritech in an effort to come to an agreement to actually measure terminating minutes of use on the MECA member companies' facilities or update T/O ratios based on an auditable T/O methodology.

Q. Has Ameritech ceased paying terminating access charges based upon mutually agreed upon T/O ratios?

A. Yes. As of October 1, 1996, Ameritech is now paying terminating access charges based on their T/O ratios which are unverified and disputed.

Q. What are the results of the use of Ameritech's methodology?

A. The ITAC methodology derives a T/O ratio that, when multiplied by the Ameritech originating traffic in the MECA member companies' exchanges, yields terminating minutes of use that are unquestionably low when those results are compared to terminating minutes of use that are actually measured or are derived by use of the Commission-approved T/O ratio. The ITAC methodology reduces terminating usage by 20 percent. By having a low estimate of terminating minutes of use, the MECA member

companies are not being paid for their fair access costs for all Ameritech traffic terminating on their exchanges.

Q. What is wrong with the Ameritech ITAC methodology?

A. The T/O ratios developed by Ameritech's ITAC methodology are flawed predictors of actual terminating minutes of use. The original ITAC results for Indiana were discarded and the results were described by Ameritech representatives as "garbage." Some MECA members performed studies to verify the accuracy of the estimation of terminating minutes of use derived by Ameritech's ITAC methodology. The results showed that Ameritech's new T/O ratio using Ameritech's ITAC methodology, were inaccurate when compared to the measured terminating usage using the "Residual usage" method described later. The T/O ratio derived by use of Ameritech's ITAC methodology skews the results in Ameritech's favor such that Ameritech pays the tariffed switched access rate based upon a significantly lower number of terminating minutes of use when compared to those minutes of use actually measured in the MECA member companies' studies. Further, no Ameritech representative has been able to explain numerous important aspects of the ITAC system, including how the following types of calls are handled: cellular, Directory Assistance (DA) call completion, IMTS, Centralized Fax, Toll over Extended Area Service (EAS), Inmate, any network originated call, DPRS, FGA, Foreign Exchange (FX), Marine, No Answer Operator, Internet to Phone, Wholesale, 1-800-Readyline Like, Coin 1+, Conference, CLEC's Using Handoff, Originating Wide Area Telecommunications Service (WATS), or other calls.

In addition, the ITAC methodology was developed by Ameritech and all information and processing regarding the ITAC methodology is under Ameritech's control. It is unreasonable and inappropriate for an access provider to be forced by an access customer to use a methodology to derive T/O ratios that is unproven, and is developed and controlled by the access customer itself.

ALTERNATIVES FOR DETERMINING ACTUAL USAGE

Q. Is it possible to determine actual terminating switched access usage and thus avoiding the need for T/O ratios to derive Ameritech's terminating usage?

A. Yes. There are at least three alternatives that would accomplish this: (1) use dedicated trunks; (2) record all traffic; and (3) use a "Residual Usage" calculation.

Q. Please describe the three alternatives for determining Ameritech's actual terminating usage.

A. The first alternative that would allow for the measurement of actual traffic would be for Ameritech to install or use a dedicated trunk over which 100% of Ameritech's terminating usage would be carried. The same result could be achieved by separating Ameritech traffic currently on any common trunks from other toll carrier traffic onto other trunks.

As a second alternative, Ameritech could record and measure 100 percent of the traffic terminating at Ameritech's tandem switches including Ameritech's own traffic and then

provide to MECA member companies the appropriate terminating carrier information necessary to bill terminating usage. Recorded information would include among other things, the CIC for each call to be terminated on a MECA member company's network. MECA would then be able to verify whether the billing data provided by Ameritech equalled the total volume of traffic that actually terminated. This would ensure that all traffic is being recorded by Ameritech and Ameritech is accurately reporting the toll carrier identity to MECA.

The third alternative for billing of actual terminating usage by MECA member companies would be to employ the "Residual Usage" methodology. This methodology records 100 percent of the completed terminating traffic on any common trunk group. For purposes of explanation, this usage is referred to as the "TOTAL". Ameritech would continue, as it does today, to record all terminating traffic at its tandem that is destined to MECA company service areas with the exception of Ameritech traffic. This call information along with the toll carrier's CIC would continue to be sent to the MECA member companies. Consistent with current practice, the MECA member companies would bill access to toll carriers for calls for which the toll carrier's CIC is provided for that traffic. Next, the MECA company would subtract the terminating traffic billed to other toll carriers from the "TOTAL." The "TOTAL" would be further reduced for any interexchange usage for which Ameritech compensates the MECA company, such as terminating Feature Group A ("FGA"). The remaining usage would be billed as Ameritech's terminating usage.

The Residual Usage methodology can determine actual usage without requiring that Ameritech make changes in its procedures, while still allowing MECA member companies to capture all usage terminated by Ameritech. If Ameritech wants to verify the number of minutes of use calculated by MECA by use of the Residual usage methodology, Ameritech could make an independent recording of the traffic at their tandem and double check MECA's billing records.

Q. Which methodology does MECA recommend to measure terminating calls?

A. Most MECA member companies could implement any of the methods to measure actual terminating minutes of use. MECA recommends that the Commission encourage all carriers to move toward actual measurement of terminating minutes of use. Use of any T/O ratio is not suited for the competitive environment and should be used only when a company cannot economically or technically measure actual usage. MECA only requests that MECA have the information necessary to verify that all terminating minutes of use are being recorded and billed to the appropriate toll carrier, including Ameritech, and that the residual methodology be considered a legitimate manner for determining actual usage.

Q. Has MECA proposed any of the above methodologies for measuring terminating usage to Ameritech?

A. Yes. However, Ameritech has not committed to deploying any methodology that would determine actual usage.

Q. Is it appropriate for MECA to implement Ameritech's ITAC methodology for Ameritech's terminating calls?

A. No. MECA believes all carriers should be treated similarly. If MECA gives into Ameritech's demand to charge Ameritech switched access charges based upon Ameritech-derived T/O ratios while other toll carriers are being charged for actually-measured terminating minutes of use, it will give toll carriers a competitive disadvantage to Ameritech. Use of Ameritech's T/O ratios which estimate terminating minutes of use that are unreasonably low will result in Ameritech paying a total switched access bill proportionately low as compared to other toll carriers.

Ameritech has the technical ability to go to a method of actual measured usage and I believe that Ameritech would actually save money if it shifted its traffic to dedicated trunks. However, Ameritech has made a management decision not to go to actual measurement. It therefore appears that Ameritech's hesitancy to go to actual usage and its demand for use of its own internal unsubstantiated ITAC methodology is designed to obtain some competitive advantage over other providers. The results of the ITAC studies performed by MECA members supports this conclusion. Use of Ameritech's ITAC methodology yields terminating usage that is disproportionately low when compared to the current T/O ratios and measured usage. Again, this results in a significantly lower total switched access charge that gives Ameritech a competitive advantage. This type of activity seems diametrically opposed to the type of actions that are expected of the

Regional Bell Operating Companies (RBOCs) to move to a competitive environment and obtain entry into the interLATA toll market.

Furthermore, it is not appropriate for Ameritech to insist on the use of its own internal and unverifiable methodology when Ameritech is the party that is sending unidentified traffic to the MECA member companies. If Ameritech sends traffic to the MECA member companies, it should be required to take whatever steps are necessary to identify the party who is responsible for that traffic. If it cannot do so, Ameritech should be responsible for it. Ameritech should not be allowed to dump traffic on the small LECs and leave them without a means of recovering their legitimate charges for the traffic.

ALTERNATIVE FOR DERIVING UPDATED T/O RATIOS

Q. Has Ameritech demonstrated that it is willing to consider methodologies other than ITAC to derive T/O ratios?

A. No. Ameritech has demanded that MECA begin utilizing its ITAC methodology in spite of the problems with the ITAC methodology identified by MECA. In fact, Ameritech is so adamant about the use of its ITAC methodology that it has unilaterally imposed the use of its T/O ratios based on the "ITAC methodology" for compensation of MECA.

Q. Could any T/O ratios continue to be used for Ameritech's traffic?

A. Yes. The MECA member companies could use measured usage at the end office to develop new T/O ratios instead of using ITAC to develop them. They could periodically

use the Residual Usage method as a sampling mechanism to derive new T/O ratios. These ratios could be updated in an ongoing and accurate manner.

RELIEF

Q. What relief does MECA seek from the Commission?

A. MECA seeks an order from the Commission requiring Ameritech to pay funds due based on the tariffed rates contained in MECA's MPSC Tariff No. 25 for all terminating calls based upon the T/O ratios previously agreed upon by the parties in Case No. U-9590 (where there is not currently actual measurement) and requiring Ameritech to pay a late penalty for all past underpayments in accordance with MECA MPSC Tariff No. 25. The Commission should order Ameritech to continue to pay those rates until the calls terminating on MECA member companies' systems can be measured. MECA would like the Commission to approve the use of any of the methods of actual measurement where they can be implemented. In the absence of a technologically feasible or economically efficient actual measurement methodology, MECA would like the Commission to approve the use of new T/O ratios based on a sample using the Residual Usage methodology, which is easily auditable, unlike the ITAC system.

Q. Does this conclude your testimony?

A. Yes.

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